10 T.C. 151 (1948)

Interim payments received by an attorney for legal services, authorized and approved by a court, are considered compensation and taxable income when received, even if the final fee is yet to be determined and a refund might theoretically be required.

Summary

Lloyd C. Whitman, an attorney, received payments from 1937 to 1941 for services rendered as counsel to a receiver in a liquidation proceeding. These payments were authorized and approved by the court overseeing the proceeding. Whitman argued that these payments were loans, not compensation, and sought to apply Section 107 of the Internal Revenue Code to allocate the income over several years. The Tax Court held that the payments were indeed compensation, taxable when received, and that Whitman could not avail himself of Section 107 benefits because he did not receive at least 80% of his compensation in one taxable year.

Facts

Whitman served as attorney for a receiver in a liquidation proceeding from January 1937 to June 1942.

The Circuit Court of Cook County authorized and approved payments to Whitman on multiple occasions between 1937 and 1941 for services rendered.

The court orders authorized payments

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